

MEMORANDUM

TO: Leveraged Finance Commitment Committee ("LFCC")
Credit Risk Management Americas ("CRM")

FROM: Mike Leder
David Berth
Frank Hoenen

Alex Gajda
Dan Ladd

Bill McGahan, Rod O'Neill, Philip Puccinelli

RE: HealthSouth Corporation / MedCenterDirect.Com, Inc.

DATE: March 27th, 2001

Leveraged Finance Commitment Committee Meeting

New York: Wednesday, March 28th, 2001

Time: 2:00 p.m. (US), 8:00 p.m. (UK)

Call-in Number (US): 1-877-847-0304

Call-in Number (Int'l): 1-630-424-7723

Passcode: 6870369#

Host: Chris Ryan

EXECUTIVE SUMMARY

The purpose of this memorandum is to obtain approval to provide MedCenterDirect.Com, Inc. ("MedCenterDirect" or the "Company") with a \$15 million 7-months term loan facility (the "Facility"). HealthSouth Corporation ("HealthSouth"), which owns 20% of MedCenterDirect, will guarantee 100% of the loan. Additionally, in order to make this loan a credit neutral event for UBSW, HealthSouth has agreed to reduce access to its existing \$400 million revolving credit facility (the "Revolver") to \$345.0 million, which has the effect of reducing UBSW's credit exposure to HealthSouth by \$15 million.

This financing is purely a relationship concession to HealthSouth, with the full sponsorship of UBSW's HealthCare CFD team. HealthSouth is a key relationship for CFD and LFG having generated more than \$[9] million in financing fees over the last 9 months. We expect that this flow of lead managed business will continue as HealthSouth continues to term-out its bank debt.

COMPANY OVERVIEWS

MedCenterDirect was founded in 1999 with the backing of HealthSouth to develop and implement an online business-to-business e-commerce marketplace for the purchase and sale of medical supplies to hospital and other healthcare providers. Today, MedCenterDirect is a fully operational e-procurement company offering four integrated management services through its web site (www.medcenterdirect.com). Though the Company currently provides solutions to approximately 1,000 healthcare facilities across the U.S., it has not recorded positive cash flow so far.

The following table summarizes the historical and projected performance of the Company

UBS Warburg

TRANSACTION STRUCTURE

HealthSouth has asked UBS Warburg to provide MedCenterDirect with a \$15 million term loan facility. MedCenterDirect will use a portion of the term loan proceeds to pay back existing HealthSouth liabilities. Given the start-up status of MedCenterDirect, the facility will be fully guaranteed by HealthSouth. In order not to increase our overall existing credit exposure to HealthSouth, HealthSouth will commit to limit its potential drawings under their existing 364-day Revolver with UBSW to \$345.0 million, which will reduce UBSW's credit exposure to HealthSouth by \$15 million for the duration of the loan to MedCenterDirect. This number is based on the following considerations:

- ◆ Size of 2000 revolving credit facility (the "Revolver"): \$400.0 million
- ◆ UBS Warburg's maximum hold according to last years credit approval: \$109.8 million
- ◆ UBS Warburg's corresponding pro-rata share within syndicate: 27.45%
- ◆ UBS Warburg's new exposure to HealthSouth/MedCenterDirect: \$15.0 million
- ◆ Required carve-out amount in order to our keep pro-rata share of 27.45%: \$54.6 million
- ◆ Reduced availability under \$400 million revolving credit facility: \$345.0 million


SUMMARY TERMS

Borrower:	MedCenterDirec.Com, Inc. ("MedCenterDirect")
Guarantor:	HealthSouth Corporation ("HealthSouth")
Arranger:	UBS Warburg LLC
Senior Credit Facility:	US\$15 million Term Loan ("Term Loan")
Maturity:	Co-terminus with availability period of the \$400 million 364-day Revolving Credit Facility ("Revolver") maturing in October 2001
Drawn Pricing:	As per Revolver
Representations and Warranties:	As per Revolver (to include HealthSouth)
Conditions Precedent:	As per Revolver (to include HealthSouth)
Financial Covenants:	As per Revolver (to include HealthSouth) <i>including but not limited</i>
Affirmative and Negative Covenants:	As per Revolver (to include HealthSouth)
Events of Default:	As per Revolver (to include HealthSouth)
Conditions to Commitment:	Satisfactory side letter from HealthSouth committing to limit its drawings under the Revolver to \$345 million
Underwriting Fee:	US\$150,000

TRANSACTION RELATED ISSUES

Disclosure Requirement for HealthSouth. According the HealthSouth, there will be no further reference to this 'cosmetic' transaction in its financial statements due to the following reasons:

- (1) HealthSouth currently holds approximately 20% in MedCenterDirect. Therefore, it does not consolidate its stake in MedCenterDirect
- (2) HealthSouth will not have to report its guarantee to MedCenterDirect in its financial statements. Based on HealthSouth's actual availability under its existing credit facilities, the size of the guarantee will be assessed immaterial by the accountants.

 UBS Warburg

**MedCenterDirect
Ownership Analysis**

Owner	Stock Type	Shares (000s)	Dollars (000s)	Ownership ⁽¹⁾ %
HealthSouth Corporation	Series A	6,390	\$2,210	23.3%
Marin Family LP (Richard Schrushy)	Series A	5,494	\$1,900	20.0%
NEA (New Venture Associates)	Series E	4,800	\$12,000	17.5%
Other Series A (Family, Board Members)	Series A	4,100	\$1,418	14.9%
Rob White (CEO)	Common	2,700	\$3	9.8%
Brett Grauss (COO)	Common	825	\$1	3.0%
Mike Martin (former HealthSouth CFO)	Series A	723	\$250	2.6%
Richard Scruschy Charity (HealthSouth Related)	Series A	578	\$200	2.1%
Kraeling (former CIO of MCD)	Common	385	\$0	1.4%
Maddox	Common	100	\$0	0.4%
Bob Coe (Board of Directors)	Common	100	\$35	0.4%
Dan Lochridge (Physician)	Series B	300	\$250	1.1%
Bob Coe (Board of Directors)	Series C	200	\$200	0.7%
Knott (Physician)	Series C	50	\$50	0.2%
Individual Investors (Friends, Family)	Series D	700	\$1,750	2.6%
Subtotal		27,445	\$20,267	100%
Employees	Options / Warrants	3,864		
Board / 3rd Party	Options / Warrants	2,136		
Total		33,445		

Note 1 - ownership based on shares.
Total Ownership related to Healthsouth =

48.0%